

STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner of the Office of Financial and Insurance Services

In the matter of:

Jet Energy 2004-1, LLC

Enforcement Case No. 06-4862

Energy Resources Management Company, LLC

Thomas W. Tucker

William W. Deneau

John V. Miller Jr.

Respondents

Issued and entered
on APRIL 16, 2007
by Richard D. Lavolette
Chief Deputy Commissioner

ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Services of the Michigan Department of Labor and Economic Growth, pursuant to the Michigan Administrative Procedures Act of 1969, MCL 24.201 *et. seq.*, ("MAPA") and the Michigan Uniform Securities Act, as amended, MCL 451.501 *et. seq.*, ("Act"), and the rules promulgated under the Act, say that:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The staff of the Office of Financial and Insurance Services ("OFIS") alleges that the following facts are true and correct:

1. OFIS is responsible for the licensing and regulation of securities, and persons or entities transacting security business, and the enforcement of the provisions of the Michigan Uniform Securities Act of 1964, ("Act"), as amended, MCL 451.501 et. seq.
2. Respondent, Jet Energy 2004-1, LLC ("Jet Energy 2004-1") is a Michigan limited liability company formed on May 5, 2004.
3. The mailing address for Jet Energy 2004-1 is: P.O. Box 1831 Traverse City, MI 49685.
4. Jet Energy 2004-1 has a registered office located at: 3760 N US 31 South, Traverse City, MI 49684.
5. The principal business of Jet Energy 2004-1 is to invest in various oil and natural gas wells.
6. Before December 14, 2005, the manager of Jet Energy 2004-1 was Energy Resources Management Company, LLC ("Energy Resources") a Michigan limited liability company. The mailing address for Energy Resources is: P.O. Box 664, Traverse City, MI 49685. Energy Resources has a registered office located at: 3760 N US 31 South, Traverse City, MI 49684.
7. Respondents Thomas W. Tucker, William W. Deneau, and John V. Miller, Jr. signed the Operating Agreement for Jet Energy 2004-1, as its Members. The Operating Agreement states Energy Resources manages Jet Energy 2004-1 and Energy Resources is owned by Respondents Thomas W. Tucker, William W. Deneau, and John V. Miller, Jr. Respondent John V. Miller, Jr. signed the Operating Agreement on behalf of Energy Resources as Manager of Jet Energy 2004-1.
8. All sales in question were made before December 14, 2005, the time in which Energy Resources managed Jet Energy 2004-1.
9. Effective December 15, 2005, JetEX, LLC became the manager of Jet Energy 2004-1.
10. On April 25, 2006, via certified mail, OFIS sent a letter to John C. Clark, as registered agent of Jet Energy 2004-1, requesting information relative to Jet Energy 2004-1's activities.
11. On or about May 24, 2006, OFIS received information from the Respondents' attorney that the Respondents had engaged in the activity of offering and selling securities that

- were not: registered under the Act, not exempt securities or transactions, and not federally covered securities.
12. Respondents knew or had reason to know that Section 301 of the Act, MCL 451.701, provides that it is unlawful for any person to offer or sell any security in this state unless 1 of the following is met:
- It is registered under the Act.
 - The security or transaction is exempted under Section 402 of the Act, or
 - The security is a federally covered security.
13. There were forty-seven (47) investors in the Jet Energy 2004-1 offering. Respondents contend that the majority of the transactions were exempt pursuant to an intra-industry exemption for persons engaged in oil, gas, and mineral business, Rule 803.5, R 451.803.5, but that seventeen (17) investors in the offering did not qualify for an exemption under Section 402(b)(9)(D)(2) of the Act, MCL 451.802(b)(9)(D)(2).
14. Although forty-seven (47) investors is within the permissible range for the exemption found in Section 402(b)(9)(D)(2) of the Act, MCL 451.802(b)(9)(D)(2) and Rule 803.2, R451.803.2, the Respondents cannot demonstrate delivery of the required disclosure document to perfect this transactional exemption.
15. Respondents made the following transactions in violation of Section 301 of the Act, MCL 451.701.
- | | | |
|----|--------------------------|----------------------|
| a. | \$ 5,000.00 | 3/30/2005 |
| b. | \$ 3,000.00 | 4/14/2005 |
| c. | \$ 3,000.00 | 3/29/2005 |
| d. | \$ 1,000.00 | 3/21/2005 |
| e. | \$ 1,000.00 & \$9,000.00 | 4/6/2005 & 4/21/2005 |
| f. | \$ 3,000.00 | 4/25/2005 |
| g. | \$ 1,000.00 | 3/27/2005 |
| h. | \$ 5,000.00 | 4/28/2005 |
| i. | \$ 1,000.00 | 4/1/2005 |
| j. | \$10,000.00 | 5/27/2004 |
| k. | \$ 2,000.00 | 3/23/2005 |
| l. | \$ 5,000.00 | 3/23/2005 |
| m. | \$ 1,000.00 | 3/23/2005 |
| n. | \$ 5,000.00 | 3/21/2005 |
| o. | \$ 1,000.00 | 4/29/2005 |
| p. | \$10,000.00 | 9/13/2005 |
| q. | \$10,000.00 | 8/23/2004 |
16. The securities offered by Respondents to the investors listed in Paragraph 15 are not registered, nor are they exempt securities or transactions, and they are not federally covered securities.

WHEREAS, Section 301 of the Act, MCL 451.701 of the Act provides that it is unlawful for any person to offer or sell any security in Michigan unless the security is: registered under the Act, the security or transaction is exempt under Section 402 of the Act, or the security is a federally covered security; and

WHEREAS, Respondents offered and sold securities in Michigan that were not registered under the Act, not exempt security or transaction under Section 402 of the Act, and not federally covered security; and

WHEREAS, the offer and sale of Jet Energy 2004-1 was made through non-exempt transactions due to Respondents failure to perfect an exemption for all the investors under Section 402 of the Act, MCL 451.802; and

WHEREAS, Respondents offered and sold securities in the State of Michigan in violation of Section 301 of the Act, MCL 451.701; and

WHEREAS, based on the foregoing, OFIS Staff recommends that the Commissioner find that Respondents engaged in acts and practices that violate Section 301 of the Act, MCL 451.701, and Rules promulgated under the Act; and

WHEREAS, the Office of Financial and Insurance Services finds this Order necessary and appropriate in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act; and

IT IS THEREFORE ORDERED, pursuant to Section 408, 409, and 410 of the Act, MCL 451.808, 451.809 and 451.810, that:

1. The Respondents shall immediately **CEASE AND DESIST** from violating Section 301 of the Act, MCL 451.701.
2. Within 30 days of the issuance and entry of this Order, Respondents shall offer a rescission, as provided in Section 410 of the Act, MCL 451.810, to all investors listed in Paragraph 15 above, that purchased the interests in Jet Energy 2004-1 through a non-exempt transaction.
3. Respondents Thomas W. Tucker, William W. Deneau, and John V. Miller Jr., shall each pay a One Thousand Dollars (\$1,000.00) civil fine to the State of Michigan within 30-days of the entry of this Order.
4. Failure to comply with this ORDER will subject you to one or more of the following:
 - (a) A civil penalty of not more than \$1,000 for each violation of this Act, but not to exceed a total of \$10,000.

- (b) A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.

You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services, Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909.

If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this Order will stand as entered and will be FINAL.

It is important to understand that any statements that you present in response to this Order may be used against you at a hearing. It is also important to understand that you have the right, at your own expense, to have an attorney assist you at a hearing.

Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Services, Attention: William R. Peattie, P.O. Box 30220, Lansing, Michigan 48909.

MICHIGAN DEPARTMENT OF
LABOR & ECONOMIC GROWTH

By:

A handwritten signature in black ink, appearing to read 'R. D. Lavolette', with a long horizontal stroke extending to the right.

Richard D. Lavolette
Chief Deputy Commissioner